

March 27, 2001

Ms. Donna Caton
Chief Clerk
Illinois Commerce Commission
527 East Capitol Avenue
Springfield, IL 62701

***RE: Docket No. 00-0228 Reopening
and
Docket No. 01-0254
Consolidated
United Cities Gas Company***

Dear Ms. Caton:

Enclosed for filing on behalf of the Staff of the Illinois Commerce Commission in the above referenced docket is the Direct Testimony of Terrie L. McDonald.

Please acknowledge receipt of this filing by returning a date-stamped copy to me.

Sincerely,

Janis E. VonQualen
Staff Attorney

JVQ/ja

Enclosures

cc: Mr. John Albers, Hearing Examiner
Service List

DIRECT TESTIMONY
OF
TERRIE L. MCDONALD

RATES DEPARTMENT
FINANCIAL ANALYSIS DIVISION
ILLINOIS COMMERCE COMMISSION

UNITED CITIES GAS COMPANY
A DIVISION OF ATMOS ENERGY CORPORATION

DOCKET NOS. 00-0228 AND 01-0254
(CONSOLIDATED)

MARCH, 2001

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2 Q. Please state your name and business address.

3 A. My name is Terrie L. McDonald and my business address is 527 East Capitol
4 Avenue, Springfield, Illinois, 62701.

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6 Q. By whom are you employed and in what capacity?

7 A. I am employed by the Illinois Commerce Commission as an Economic Analyst in
8 the Rates Department, Financial Analysis Division.

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10 Q. Are you the same Terrie L. McDonald who filed Direct Testimony and Rebuttal
11 Testimony and sponsored ICC Staff Exhibits 5.0 and 10.0 in Docket No.
12 00-0228?

13 A. Yes, I am.

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15 Q. What is the purpose of your Direct Testimony in this consolidated proceeding?

16 A. The purpose of my Direct Testimony is to address an inadvertent error made in the
17 rate calculations used to develop the gas service rates for all customer classes set
18 forth in Docket No. 00-0228.

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20 Q. Please describe the customer classes of United Cities Gas Company.

21 A. United Cities has five classes of customers: Residential, Small Commercial, Large
22 Commercial, Interruptible, and Cogeneration. The Company also has one

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Special Contract customer. Each customer is required to pay a monthly Customer Charge and a flat Usage Rate, including the Special Contract customer, if the customer desires natural gas service. These rates and charges are different for each rate class and are based upon the Company's cost of serving each class of customer. The charges paid by the Special Contract customer are negotiated and are contained in a proprietary contract between the customer and the Company.

Q. Please explain how to calculate the revenue generated by each rate class.

A. The revenue generated by each rate class is calculated by multiplying the total number of billing units by the monthly Customer Charge and multiplying the total number of therms by the Usage Rate. The products of these two calculations are then added together to determine the total revenue produced by that particular class of customer, excluding any Purchased Gas Adjustment (PGA) revenue.

Q. Please explain the error made in the rate calculations.

A. In establishing the rates in Docket No. 00-0228, the billing units and the number of therms of the Special Contract customer were inadvertently included in the Large Commercial customer class. This resulted in 12 billing units and 2,161,100 therms being priced incorrectly at a rate higher than specified in the Special Contract. As a result, United Cities' current rates will generate a \$263,654 shortfall in revenues.

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46 Q. What are you recommending to correct the revenue deficiency?

47 A. I am recommending that the Usage Rate for each of United Cities' five customer
48 classes be increased as shown on ICC Staff Exhibit 1.0, Schedule 1.1. I am also
49 recommending that the monthly Customer Charge for each customer class remain
50 unchanged from what is presently being charged.

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52 Q. Why were the Usage Rates changed, but not the monthly Customer Charges?

53 A. As previously discussed in my Direct and Rebuttal Testimony in Docket No.
54 00-0228, my rate design objectives were to bring the class rates of return closer
55 together, so that over time equalized rates of return are more achievable, and to
56 increase the monthly Customer Charges so that they move closer to full cost
57 recovery. At the present time, the monthly Customer Charges are at a level which
58 are closer to full cost recovery, and by allocating a portion of the revenue
59 requirement deficiency to each rate class, the rates of return are closer together.

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61 Q. Are the rates recommended on ICC Staff Exhibit 1.0, Schedule 1.1 the same as
62 those proposed by Company witness Mark Thessin in his UCGC Reopened Exhibit
63 1.1?

64 A. Yes, they are.

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66 Q. Does this conclude your testimony?

67 A. Yes, it does.

UNITED CITIES GAS COMPANY
STAFF'S RECOMMENDED RATES

	<u>Monthly Customer Charge</u>	<u>Usage Rate (Per Ccf)</u>
Schedule 110 - Residential Gas Service	\$ 9.90	\$0.2015
Schedule 120 - Small Commercial and Small Industrial Gas Service	\$ 25.00	\$0.1608
Schedule 130 - Large Commercial and Large Commercial Gas Service	\$100.00	\$0.1555
Schedule 150 - Optional Gas Service	\$100.00	\$0.0521
Schedule 190 - Special Contract	\$ 10.00	\$0.0200
Schedule 192 - Cogeneration, Compressed Natural Gas, Prime Movers, Fuel Cell Service, Large Tonnage Air Conditioning	\$100.00	\$0.0762

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

UNITED CITIES GAS COMPANY	:	00-0228
	:	
Proposed general increase in gas rates.	:	On Reopening
UNITED CITIES GAS COMPANY	:	
	:	01-0254
Proposed increase in natural gas	:	
rates.	:	(Consolidated)

NOTICE OF FILING

TO: Attached Service List

PLEASE TAKE NOTICE that on this 27th day of March, 2001, I have filed with the Chief Clerk of the Illinois Commerce Commission, the Direct Testimony of Terrie L. McDonald, copies of which are hereby served upon you.

JANIS E. VON QUALEN
Staff Attorney

Counsel for the Staff of the Illinois Commerce
Commission

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing Notice of Filing, together with the Direct Testimony of Terrie L. McDonald, was served upon the parties on the attached service list by first class mail, proper postage prepaid, on the 27th day of March, 2001.

JANIS E. VON QUALEN

***Service List - Docket No. 00-0228 Reopening
and 01-0254 Consolidated
United Cities Gas Company***

Mark G. Thessin
Vice President - Rates
United Cities Gas Company
Atmos Energy Corporation
810 Crescent Centre Dr., Suite 600
Franklin, TN 37067-6226

Janis VonQualen
Office of General Counsel
Illinois Commerce Commission
527 East Capitol Avenue
Springfield, IL 62701

John J. Reichart
Office of General Counsel
Illinois Commerce Commission
160 North LaSalle St., Suite C-800
Chicago, IL 60601

Document Processor
United Cities Gas Company
Atmos Energy Corporation
CSC
700 South Spring St.
Springfield, IL 62704

Gary A. Brown and Julie B. Cox
Sorling, Northrup, Hanna, Cullen
and Cochran, Ltd.
Illinois Building, Suite 800
P.O. Box 5131
Springfield, IL 62705

Commission Staff:

John Albers, Hearing Examiner
Steven Cianfarini, Engineering Dept.
Mary Everson, Accounting Dept.
Janis Freetly, Finance Dept.
Burma Jones, Accounting Dept.
Terrie McDonald, Rates Dept.
Tom Smith, Accounting Dept.
Scott Struck, Accounting Dept.
Charles Ianello, Energy Division